

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

HOUSE BILL 2301

AN ACT

AMENDING SECTION 43-1090.01, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-1090.01, Arizona Revised Statutes, is amended to
3 read:

4 43-1090.01. Credit for water conservation systems; definition

5 A. Subject to subsections H and I of this section, for taxable years
6 beginning from and after December 31, 2006 and ending before January 1, 2012,
7 a credit is allowed against the taxes imposed by this title for each resident
8 who is not a dependent of another taxpayer for installing a water
9 conservation system during the taxable year in the taxpayer's residence
10 located in this state. The credit is equal to twenty-five per cent of the
11 cost of the system.

12 B. The maximum credit in a taxable year may not exceed one thousand
13 dollars. The person who provides the water conservation system shall furnish
14 the taxpayer with an accounting of the cost to the taxpayer. A taxpayer may
15 claim the credit under this section only once in a ~~tax~~ TAXABLE year and may
16 not cumulate over different ~~tax~~ TAXABLE years tax credits under this section
17 exceeding, in the aggregate, one thousand dollars for the same residence.

18 C. If the allowable tax credit exceeds the taxes otherwise due under
19 this title on the claimant's income, or if there are no taxes due under this
20 title, the amount of the claim not used to offset taxes under this title may
21 be carried forward for not more than five consecutive taxable years as a
22 credit against subsequent years' income tax liability.

23 D. A husband and wife who file separate returns for a taxable year in
24 which they could have filed a joint return may each claim only one-half of
25 the tax credit that would have been allowed for a joint return.

26 E. The credit allowed under this section is in lieu of any allowance
27 for state tax purposes for exhaustion, wear and tear of the water
28 conservation system under section 167 of the internal revenue code.

29 F. To qualify for the credit under this section the water conservation
30 system and its installation shall comply with rules that are adopted by the
31 department of environmental quality and that relate to the recovery and
32 disposal of graywater.

33 G. A graywater stub out that was installed by the builder of a house
34 or dwelling unit before title was conveyed to the taxpayer does not qualify
35 for a credit under this section, ~~but the taxpayer may claim a credit for the~~
~~device under section 43-1182 under the circumstances, conditions and~~
~~limitations prescribed by section 43-1182, subsection C, as applicable.~~

36 H. Beginning from and after December 31, 2006, the department shall
37 receive and evaluate applications that are submitted by taxpayers to receive
38 a water conservation system credit under this section. A taxpayer shall
39 apply for the credit to the department on a form prescribed by the
40 department. The application shall be filed with the department and the
41 department shall issue a receipt to the applicant. The application shall
42 include:

1 1. The name, address and social security number ~~or federal employer~~
2 ~~identification number~~ of the applicant.

3 2. The amount of the cost of the water conservation system and the
4 amount for which the credit is claimed.

5 3. Any additional information that the department requires.

6 I. The department shall review each application under subsection H of
7 this section and certify to the taxpayer the amount of the credit that is
8 authorized. The department shall not certify tax credits under this
9 subsection exceeding two hundred fifty thousand dollars for any calendar
10 year. If qualifying applications exceed two hundred fifty thousand dollars,
11 the department shall authorize credits in the order of the date that the
12 applications are received by the department. If an application is received
13 that, if authorized, would require the department to exceed the two hundred
14 fifty thousand dollar limit, the department shall grant the applicant only
15 the remaining credit amount that would not exceed the two hundred fifty
16 thousand dollar limit. After the department authorizes two hundred fifty
17 thousand dollars in tax credits, the department shall deny any subsequent
18 applications that are received [IN THAT CALENDAR YEAR](#). The department shall
19 not authorize any additional tax credits that exceed the two hundred fifty
20 thousand dollar limit even if the amounts that have been certified to any
21 taxpayer were not claimed or a taxpayer otherwise fails to meet the
22 requirements to claim the additional credit.

23 J. The department may verify that a water conservation system has been
24 installed in the taxpayer's residence.

25 K. For the purposes of this section, "water conservation system" means
26 a system or a series of components or mechanisms that are designed to provide
27 for the collection of rainwater or residential graywater. Water conservation
28 system includes a system that is capable of storing rainwater or residential
29 graywater for future use and reusing the collected water for the same
30 residential property.

31 Sec. 2. [Effective date](#)

32 Section 43-1090.01, Arizona Revised Statutes, as amended by this act is
33 effective and applies to taxable years beginning from and after December 31,
34 2006.